

U. S. TREASURY DEPARTMENT  
Internal Revenue Service  
Washington 25, D. C.

Alcohol and Tobacco Tax Division  
Industry Circular No. 55-38

November 15, 1955

Proposed Amendments of Parts 220, 221, and 225  
Relating to Distilled Spirits

Proprietors of registered distilleries,  
fruit distilleries, and internal revenue  
bonded warehouses; and others concerned:

1. You were advised by Industry Circular No. 55-16, dated July 14, 1955, of a number of amendments which it was proposed to make in the regulations relating to distilleries and internal revenue bonded warehouses. These proposals were contained in a notice of proposed rulemaking published in the Federal Register for August 24, 1955.

2. As a result of industry comments and further study by this division a number of changes have been made in the proposed amendments as discussed in Industry Circular No. 55-16 and published in the notice of proposed rulemaking. The changes are either of a liberalizing nature, or of a technical nature not affecting substantive requirements.

3. Changes of major interest are:

(a) 26 CFR Parts 220 and 221 will no longer require distillers to measure and test distilling material immediately prior to distillation and to compute and report the calculated yield. The regulations will, however, continue to require that the alcoholic content of wine received as distilling material and of spirits received for redistillation be determined and reported. Forms 15 and 1598 are not now being revised to reflect this amendment to the regulations. Accordingly, the instructions and provisions of Form 15 (Revised October 1955) and Form 1598 (Revised November 1955), as they relate to calculated yield, will not apply after the amendments become effective.

(b) 26 CFR Parts 220, 221, and 225 will not require proprietors to mark the original tare, proof and proof gallons on packages and barrels if in lieu thereof markings are provided to show the rated capacity of the container as determined by the specifications to which the container was manufactured. The showing of the rated capacity in lieu of the original tare, proof and proof gallons is optional with the proprietor filling the package.

The rated capacity, where used, is to be shown in whole gallons; thus, if manufacturing specifications for a barrel show it to have a capacity of 49 gallons, the rated capacity would be shown as "RC 49 G". A rated capacity of 51.5 gallons would be shown as "RC 52 G", while a rated capacity of 51.4 gallons would be shown as "RC 51 G". In any event the proprietor is required to advise the storekeeper-gauger of any change in the specifications as to the tare and capacity of the cooperage to be filled.

(c) As published in the notice, the amendments to 26 CFR Parts 220 and 221 would have required a recording meter in the water lines to unfinished spirits tanks if it was desired to reduce the spirits during other than regularly assigned hours of supervision. This proposal has been modified to provide that where unfinished spirits are reduced during other than regularly assigned hours of supervision the water lines to the tanks shall be equipped with either metering or measuring devices by which the quantity of water added to a tank may be determined. Where a meter or measuring device does not record the quantity of water used, the arrangement must be such that the storekeeper-gauger may determine the total quantity used in the unsupervised operations. For example, a distiller might install a tank in which water for use in reducing spirits in the absence of the storekeeper-gauger would be stored. The inlet to this tank would be secured by a Government lock but the outlet would be unlocked. The quantity of water withdrawn to each unfinished spirits tank would be determined by the distiller by means of a measuring device, such as a gauge glass or float, and the storekeeper-gauger could compare the total quantity of water withdrawn from the tank in unsupervised operations with the total of the quantities reported as used in the various tanks of unfinished spirits. The proposed regulations are not intended to require a separate meter or measuring device for each unfinished spirits tank.

(d) In the notice, 26 CFR Part 221 was amended to provide for conducting other businesses on fruit distillery premises in the same manner as 26 CFR Part 220 has provided since January 1, 1955. However, in preparing this change, the existing provision of 26 CFR 221.60 authorizing the use of fruit distillery buildings for miscellaneous storage of unfermentable materials while the distillery is under suspension was not deleted. As this provision is merely one of the many kinds of "other businesses" which may be authorized under the proposed amendments, it is deleted in the Treasury decision.

4. In addition to the above, the proposed Treasury decision will include the following changes:

(1) Discontinues the submission to the assistant regional commissioner of parts 1 and 2 of Forms 15 and 1598. The required report will be made by proprietors of fruit distilleries on Form 15 Part 3 (Revised October 1955) and by proprietors of registered distilleries on Form 1598 Part 3 (Revised November 1955).

(2) Discontinues the reporting on Form 15 of information as to name and address of the consignee when distilled water and fusel oil are removed.

(3) Liberalizes proposed requirements for measuring devices on cisterns and receiving tanks by eliminating the proposed requirement that such devices be affixed to the tanks.

(4) Revises proposed requirements for the distiller's schedule of operations to more clearly indicate that the schedule should show those activities which require storekeeper-gauger supervision.


(5) Liberalizes requirements for sampling devices by providing that such devices will not be required in taking samples of unfinished spirits from tanks if it can be shown that the supervision attendant on taking of such samples will not be burdensome for storekeeper-gaugers.

(6) Provides for a verification of the total number of barrels shown on Form 1520 to have been filled. This verification can be by count of barrels removed, by perpetual inventory of empty barrels, or by any other means which will provide an independent verification of the number of barrels filled.

5. The proposed Treasury decision provides that it shall be effective on the date of its publication in the Federal Register, except that the sections of 26 CFR Parts 220 and 221 relating to the keeping of records and rendering of reports on Forms 15 and 1598 shall be effective on the first day of the first month which begins not less than 30 days after publication in the Federal Register.

6. This circular is being issued prior to publication of the Treasury decision in order that you may have an opportunity to discuss any questions which may arise with Government personnel before the proposed amendments become effective. Probably most

inquiries can be processed by your assistant regional commissioner and should, accordingly, be addressed to him and refer to the number of this circular. Correspondence with this office should similarly refer to the number of this circular and, in addition, be marked: Attention: O:AT:PP.

  
Dwight E. Avis,  
Director, Alcohol and Tobacco Tax Division.

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